

The Effect of Macro Economy and Characteristics of Company on Beta Syariah Shares

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ABSTRACT

This study investigated the characteristics of company and macro economy those influence beta of syariah shares. The characteristics of company, as the independent variable consists of earning per share, dividend payout ratio, leverage, assets size, current ratio and investment return. Macro economy consists of inflation and currency exchange rate. Sample is collected with purposive sampling method for 4 years of observation in Jakarta Islamic Index. The total samples are 90 companies. The result of study upon the characteristics of company, and macroeconomic variables to the return of syariah shares indicated that only current ratio variable had the level of significant of 5% influencing beta syariah shares.

Keywords: Beta of syariah shares, characteristics of company, macro economy.

I INTRODUCTION

Syariah capital market shows to progress as its index in the Jakarta Islamic Index (JII) increases. As index on JII increases, although the value is not as good as that on the Composite Share Price Index (IHSG), but the increasing percentage of the index on JII is greater than that on JCI. This is because of the properness, blessing, and growth concepts of syariah capital market on which syariah shares are traded. Syariah capital market uses the principles, procedures, assumptions, instrumentation, and applications of Islamic epistemological values.

Islamic Index or Syariah Index has helped institutions to invest their excess of funds in investment complying with syariah. Therefore Islamic Banks, Takaful, and other Islamic financial institutions have an alternative to invest their funds and distribute their profits to the customers.

The trade of some types of securities, both in conventional and Islamic capital market have different rate of returns and risks. High risks and return of shares are related to the condition of characteristics of company, industry and macro-economy (auliyah and hamzah, 2006). The risks of securities are in the form of specific and systematic risks. Specific risk can be eliminated by forming a good portfolio. Systematic risk cannot be eliminated by forming a good portfolio because the risks are

beyond the company. Systematic risk is also referred to beta because it is a measure to systematic risk. Systematic risk can occur because of the characteristics of company, industry, and macro-economic factors. A beta coefficient is used in measuring the risk. Beta of securities is crucial to analyze securities or portfolio. Beta securities indicate the sensitivity level of profit of securities over market changes.

There are only few studies on syariah capital market, particularly in Indonesia conducted by previous researchers. Some studies on syariah capital market were conducted by Waluyadi (2015), Chairiyah (2013), Auliyah and Hamzah (2006) and hamzah (2005). It is interesting to conduct study on syariah capital market to the beta influenced by the variables of the characteristic of company, and macro-economy, because it is the nature of return and risk to always be inherent to any investment, especially stock investment, both common stocks and shares pursuant to syariah.

Based on the background, the problem of this study shall be whether the variable of characteristics of company (earning per share (EPS), dividend payout, leverage, current ratio, asset size and return on investment), macro economy (exchange rate and inflation) shall influence beta of syariah stocks in Indonesian Stock Exchange.

II LITERATURE REVIEW

A. The Relationship between the Characteristics of Company to Beta of Syariah Shares

Earning per share (EPS) is the comparison between net profit after tax in a fiscal year and the number of issued shares (Jogiyanto, 2000). Investors make investment under consideration to get the most possible earning. High EPS reflects the results or income the shareholders will receive for each share they own. Company's high EPS will draw investors' interest to make investment to the company. Increasing demand for shares causes an increase of share price and eventually the return of shares will also increase. As the return of shares increases, the return of market increases, thus the beta of shares will also rise. Earning per share gives a positive influence to the return and beta of syariah shares. Results of the research (Chairiyah, 2013; Ratna &

Priyadi, 2014; Patiku, 2008), finds that earning per share affects the beta of shares.

H₁: Earning per share influences beta syariah shares

Paid is divided by available net income for common shareholders is dividend payout. Litner (1956) provides a rational reason that company is reluctant to lower its dividend. If the company decreases the dividend, it will be considered a bad sign, because it will be deemed in need of fund. High paid dividend and earnings available to shareholders will attract investors to make investment. The price of shares will also increase. An increase in price of shares will be followed by an increase in return of shares. Therefore, dividend payout gives positive influence to the return the shares. An increase in the price of shares because of company's high dividend payout that results in an increase in the return of shares will be followed by an increase in the beta of shares. As the return the shares increase, the return of market will also increase. Beta, as volatility measurement between the return of portfolio shares with the return of market, will also increase. The results of study by hamzah (2005) and Waluyadi (2015) indicate that the dividend payout have positive influence on the beta of syariah shares. Dividend payout influences to the return of shares based on the results of study by Hamzah, (2005).

H₂: Deviden payout influences beta syariah shares

Leverage is the use of a particular property or assets which will result in company's fixed cost. In this case, the fixed cost can be in the form of depreciation costs or interest cost originally from debt bonds, bank loans, etc. This ratio can show how far the company is funded by debt or outside parties with the company's ability represented by the capital (equity). As the company has loans in the form of debt from outside parties, indicates that it is trusted by the lenders. A company that is trusted by outside parties will attract investors to make investment to the company. Thus, the company's price of shares will increase, resulting in an increase in the return and beta of shares. The results of study by Hamzah (2005) indicate that leverage gives positive influence to the beta of syariah shares. Likewise the study by Lisa Kartikasari (2007) that leverage operation influences the beta of shares. Ulupui (2005) in her study finds that leverage influences the return of shares.

H₃: Leverage influences the beta of syariah shares

Asset size is a measurement variable of asset that is measured from the total assets. Asset size is used as a representing measurement for the size of a

company. Watts and Zimmerman (1990) hypothesized that larger companies tend to invest their funds to low-variant projects with lower betas to avoid excessive profit. Investment in low-beta projects with lower the risk on the company. The size of the company has a significant influence in explaining the amount of returns (Sembiring, 2005), if the company has low market capacity has a greater rate of return than higher capacity companies. While study (Hamzah, 2005 and Wayuladi, 2015) concludes that asset size influences positively to the return of shares. Size refers to the amount of return to company within a certain period that derives from company's main activity. Based on description above, we can hypothesize as follows:

H₄: Asset size influences the beta of syariah shares

Current ratio is a measurement of liquidity that is current assets divided by current debt. Liquidity is predicted to have a negative relationship with beta, that it is rationally known that the more liquid the company, the smaller the risk is. Current ratio measures the company's ability to manage its liquid asset in securing short-term debt. Larger current ratio indicates the higher the company in meeting short-term obligations. Obligation to pay a cash dividend, high current ratio shows that investors trust the company's ability to pay the promised dividends (Frianto, 2005). The results of study by Hamzah, (2005) indicated that the current ratio gives positive influence to the beta of shares. Prihantini, (2009) also explains that the regression coefficient of CR is equal to 0.003. The value of positive coefficient indicates that CR gives positive influence to the return of shares. According to the description above, we can hypothesize as follows:

H₅: Current ratio influences beta syariah shares

Return on investment (ROI) is a form of profitability ratios that is intended to measure the company's ability with the overall funds invested in assets to generate profits. Thus this ratio connects the profit obtained from company's operations (net operating income) with the number of investments or assets used to generate profit in the operation (net operating assets). The return on investment of higher company will have an influence on the increase of company's price of shares that will also increase the company's return of shares. The results of study by Trisnaning Sari (2009) explained that return on investment shows positive influence to the return and beta of shares. Hamzah (2005) shows that return on investment gives positive influence to the beta of syariah shares. According to the description above, we can hypothesize as follows:

H₆: Return on investment influences beta Syariah shares

The currency of every nation shall be valued in relation to other currencies through currency exchange. Company's profit shall be considered even more in an unstable condition, because of other predicted information that has higher risks in terms of profit gain. This condition has investors can only take profit as the sole trustable information and surely having happened. The results of studies by Hamzah (2005) and Auliyah and Hamzah (2006) showed that currency exchange influences the beta of syariah shares. Prihantini (2009) in her search finds that currency exchange influences the return of shares. According to the description above, we can hypothesize as follows:

H₇: Currency Exchange Rate influences the beta of syariah shares

Inflation is a tendency of general and continuous increase of prices. Price increase of one or two items shall not be identified as inflation, unless it extends to (or result in increase of) a portion of the price of other goods (Boediono, 1998). Theoretically, shares investment can provide good value (hedge) from the influence of inflation because shares are real asset. Inflation will affect the distribution of income, depending on the cause of inflation, where nominal income where tends to increase rapidly in a period of inflation, so real income can increase or decrease during the inflation (Samualson, 2001). Prihantini (2009) in her study shows that inflation gives negative effect on the return of shares. According to the description above, we can hypothesize as follows:

H₈: Inflation influences the beta of syariah Shares

III RESEARCH METHODOLOGY

A. Population and Sampling Procedures

Population of this study covers all public companies registered in Indonesian Stock Exchange (BEI). This study uses purposive sampling technique. The samples are companies with the following criteria: (1) Issuer's shares are proper pursuant to syariah, that the properness of shares shall be legalized by Syariah Supervisory Body. (2) The shares are registered in *Jakarta Islamic Index*. (3) The companies are among 30 greatest in *Jakarta Islamic Indeks* at least 3 times since January 2010 to December 2013. (4) Issuing company issues annual financial statement since January 2010 to December 2013. The finally collected samples are 90 companies.

B. Variable Identification

In this study, the variables to be investigated shall be the characteristics of company, macro economy, and beta of syariah shares. The independent variables of this study shall be the characteristics of company and macro economy, while the dependent variables shall be beta of syariah shares. The characteristics of company variables to be investigated in this study shall be *earning per share, dividend payout, leverage, current ratio, return on investment and asset size*. The macro economy variables to be investigated in this study shall be currency exchange and inflation.

IV RESULTS OF STUDY AND DISCUSSION

Table 1 shows the results of Regression Test Model.

Tabel 1. Results of Regression Test Model

Model	t	Sig.
1 (Constant)	.559	.579
EPS	-.810	.422
DTA	.098	.923
CR	-2.010	.049
ROI	-1.270	.209
DPR	.109	.914
Ln.TA	-.145	.885
INFLASI	-.807	.423
KURS	-.105	.917

Dependent Variable: Beta

Earning per share variable does not influence beta of syariah shares. It is because investors, in making investment, are under consideration of obtaining the most possible earning. High earning per share reflects the outcome or income the shareholders will receive for each share they own. Tandelilin, (1997) state that BEI is a developing capital market and every company manages to settle its position, thus the price formed is not determined by only earning. This results support the study by Auliyah and Hamzah (2006). However, the results are not support to that of study by Patiku (2008). But result from Chairiyah (2013) and Ratna & Priyadi (2014) support this study.

The second hypothesis of this study is not proven, that dividend payout ratio does not influence beta of syariah shares. This results support the study by auliyah and hamzah (2006). However, they are different to Hamzah (2005). This difference, besides because of a great number of companies to be the samples do not distribute the dividend, it is also possibly because of different period of study and different term of period.

The third hypothesis of this study is rejected. That leverage does not influence beta of syariah shares. Higher debt to equity ratio shows the composition of total debt (short-term and long-term) is higher compared to the total own capital, thus the company's cost shall be higher to other party (creditor). Increasing cost to creditor shows that the company's capital depends to other party, thus decreasing investors' interest to invest their fund to the company. This results support the study by Auliyah and hamzah (2006) and Ratna & Priyadi (2014) but different with the results of study by Hamzah (2005), Lisa Kartikasari (2007) and Ulupui (2005).

The fourth hypothesis is rejected in this study, where asset size does not influence beta of syariah shares. A company with small market capacity has higher return compared to large capacity company. It is because small market capacity is easy to manage. The results of study by Auliyah et al (2006) and Chairiyah (2013) support this study, but it is contradictory to the study by Hamzah (2005).

Current ratio variable influence beta of syariah shares. This results support the study by hamzah, (2005) indicating that current ratio influences positively to the beta of syariah shares. Current ratio is one of measures of liquidity ratio that is calculated by dividing with liquid assets with debt. Higher current ratio shows the higher company completing its short-term obligations. The obligation to pay cash dividend, the higher current ratio shows investors' trust on the company's ability to pay the promised dividend.

Return on investment variable does not influence beta of syariah shares. This results support the study by Auliyah and hamzah (2006) and different with the results of study by Trisnarningsari (2009) and Hamzah (2005).

The examination on the seventh hypothesis of this study is to observe that currency exchange influence beta of syariah shares. This results supported by hamzah (2005) and auliyah and hamzah (2006) that currency exchange influences the beta of syariah shares. But result from Ratna & Priyadi (2014) not support this study. This difference is determined by fluctuation of foreign exchange, where company's profit will get attention more in an unstable condition, because of other predicted information has high risk in profit making.

The results of the eight hypothesis that inflation influences beta of syariah shares are rejected. Inflation will influence the distribution of income, depending on the cause of inflation, where nominal income tends to increase rapidly in inflation period, Lisa Kartikasari. (2007). The Influence of fundamental Variable to the systematic risk of manufacture Company listed in Jakarta Stock

thus real income will increase or decrease during inflation (Samualson, 2001). These results not supported by Ratna & Priyadi (2014) and Prihantini (2009).

V CONCLUSION AND SUGGESTION

The results of study find that, only current ratio variable has influence on beta syariah shares. The companies in Jakarta Islamic Index with high Current Ratio has low beta of shares. Current ratio is one of measure of liquidity ratio, measured by dividing liquid assets with debt. Higher current ratio indicates the higher a company complies with its short-term obligation. Obligation on payment of cash dividend, higher current ration indicates investors' trust upon the company's ability to pay the promised dividend. For future study, it must pay attention to several factors that can increase the validity of study, they are increasing the term of study, thus the probability shall be higher and to consider the use of beta of shares in daily shares.

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